

PERAC AUDIT REPORT



Framingham Contributory Retirement System

JAN. 1, 2001 - DEC. 31, 2003 / PERAC 03: 11-038-27



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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November 1, 2004

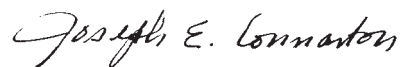
The Public Employee Retirement Administration Commission has completed an examination of the **Framingham** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **2001** to December 31, **2003**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant audit findings to report.

We commend the **Framingham** Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Framingham Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2003	2002	2001
Cash	\$764,124	\$115,346	\$76,670
Short Term Investments	0	0	0
Fixed Income Securities (at book value)	0	0	0
Equities	0	0	484,577
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	0	0	37,190,814
Pooled International Equity Funds	0	0	0
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	0	0	31,702,183
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	250,887	651,106	0
PRIT Core Fund	137,320,973	111,917,880	60,316,658
Interest Due and Accrued	0	0	0
Accounts Receivable	0	0	139,851
Accounts Payable	(2,369)	(4,015)	(8,260)
TOTAL	<u>\$138,333,615</u>	<u>\$112,680,317</u>	<u>\$129,902,494</u>
FUND BALANCES			
Annuity Savings Fund	\$36,406,619	\$34,905,921	\$33,119,172
Annuity Reserve Fund	13,298,712	13,227,371	13,087,733
Pension Fund	6,156,543	5,985,159	5,174,925
Military Service Fund	4,779	2,220	2,745
Expense Fund	0	0	0
Pension Reserve Fund	<u>82,466,962</u>	<u>58,559,646</u>	<u>78,517,920</u>
TOTAL	<u>\$138,333,615</u>	<u>\$112,680,317</u>	<u>\$129,902,494</u>

Framingham Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2001)	\$31,356,532	\$12,385,733	\$329,424	\$2,693	\$0	\$97,394,882	\$141,469,263
Receipts	4,327,720	376,472	6,845,249	51	662,345	(10,436,193)	1,775,644
Interfund Transfers	(1,897,485)	1,893,098	8,445,155	0	0	(8,440,768)	0
Disbursements	(667,595)	(1,567,570)	(10,444,903)	0	(662,345)	0	(13,342,413)
Ending Balance (2001)	33,119,172	13,087,733	5,174,925	2,745	0	78,517,920	129,902,494
Receipts	4,452,479	395,660	7,669,301	2,220	671,896	(15,675,185)	(2,483,628)
Interfund Transfers	(1,536,972)	1,540,203	4,282,603	(2,745)	0	(4,283,090)	0
Disbursements	(1,128,758)	(1,796,225)	(11,141,670)	0	(671,896)	0	(14,738,549)
Ending Balance (2002)	34,905,921	13,227,371	5,985,159	2,220	0	58,559,646	112,680,317
Receipts	4,180,797	392,728	8,334,409	2,559	719,300	27,544,248	41,174,041
Interfund Transfers	(1,425,905)	1,428,829	3,634,009	0	0	(3,636,932)	0
Disbursements	(1,254,194)	(1,750,216)	(11,797,033)	0	(719,300)	0	(15,520,743)
Ending Balance (2003)	<u>\$36,406,619</u>	<u>\$13,298,712</u>	<u>\$6,156,543</u>	<u>\$4,779</u>	<u>\$0</u>	<u>\$82,466,962</u>	<u>\$138,333,615</u>

Framingham Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2003	2002	2001
Annuity Savings Fund:			
Members Deductions	\$3,517,722	\$3,606,224	\$3,504,784
Transfers from other Systems	244,588	378,305	191,353
Member Make Up Payments and Redeposits	81,250	28,053	59,256
Investment Income Credited to Member Accounts	<u>337,237</u>	<u>439,898</u>	<u>572,327</u>
Sub Total	<u>4,180,797</u>	<u>4,452,479</u>	<u>4,327,720</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>392,728</u>	<u>395,660</u>	<u>376,472</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	229,951	204,534	184,375
Received from Commonwealth for COLA and Survivor Benefits	854,458	668,367	139,474
Pension Fund Appropriation	<u>7,250,000</u>	<u>6,796,400</u>	<u>6,521,400</u>
Sub Total	<u>8,334,409</u>	<u>7,669,301</u>	<u>6,845,249</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	2,537	2,204	0
Investment Income Credited Military Service Fund	<u>22</u>	<u>17</u>	<u>51</u>
Sub Total	<u>2,559</u>	<u>2,220</u>	<u>51</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>719,300</u>	<u>671,896</u>	<u>662,345</u>
Sub Total	<u>719,300</u>	<u>671,896</u>	<u>662,345</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	100,066	99,233	96,645
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	11,081	8,927	10,896
Excess Investment Income	<u>27,433,102</u>	<u>(15,783,344)</u>	<u>(10,543,734)</u>
Sub Total	<u>27,544,248</u>	<u>(15,675,185)</u>	<u>(10,436,193)</u>
TOTAL RECEIPTS	<u>\$41,174,041</u>	<u>(\$2,483,628)</u>	<u>\$1,775,644</u>

Framingham Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

FOR THE PERIOD ENDING DECEMBER 31,			
Annuity Savings Fund:	2003	2002	2001
Refunds to Members	\$591,338	\$428,486	\$299,932
Transfers to other Systems	<u>662,856</u>	<u>700,272</u>	<u>367,663</u>
Sub Total	<u>1,254,194</u>	<u>1,128,758</u>	<u>667,595</u>
Annuity Reserve Fund:			
Annuities Paid	1,725,389	1,690,442	1,553,353
Option B Refunds	<u>24,827</u>	<u>105,783</u>	<u>14,217</u>
Sub Total	<u>1,750,216</u>	<u>1,796,225</u>	<u>1,567,570</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	8,370,799	7,911,444	7,567,731
Survivorship Payments	521,416	509,148	476,470
Ordinary Disability Payments	250,456	258,465	234,641
Accidental Disability Payments	1,681,749	1,487,551	1,299,331
Accidental Death Payments	614,434	558,683	500,400
Section 101 Benefits	62,617	59,895	53,050
3 (8) (c) Reimbursements to Other Systems	295,561	253,228	213,034
State Reimbursable COLA's Paid	0	103,255	100,246
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	
Sub Total	<u>11,797,033</u>	<u>11,141,670</u>	<u>10,444,903</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	0	0	
Salaries	166,150	160,459	153,695
Legal Expenses	2,000	4,936	9,337
Medical Expenses	0	0	0
Travel Expenses	3,058	3,746	4,284
Administrative Expenses	26,282	25,029	23,958
Furniture and Equipment	0	882	7,937
Management Fees	516,733	472,596	463,134
Fiduciary Insurance	5,077	4,248	0
Custodial Fees	0	0	0
Consultant Fees	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>719,300</u>	<u>671,896</u>	<u>662,345</u>
TOTAL DISBURSEMENTS	<u>\$15,520,743</u>	<u>\$14,738,549</u>	<u>\$13,342,413</u>

Framingham Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2003	2002	2001
Investment Income Received From:			
Cash	\$2,782	\$5,387	\$39,569
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	3,059
Pooled or Mutual Funds	3,980,228	3,883,410	4,411,956
Commission Recapture	0	0	0
TOTAL INVESTMENT INCOME	<u>3,983,010</u>	<u>3,888,797</u>	<u>4,454,584</u>
Plus:			
Realized Gains	3,667,911	442,136	2,573,940
Unrealized Gains	24,138,798	14,505,671	19,645,605
Interest Due and Accrued on Fixed Income Securities - Current Year	0	0	0
Sub Total	<u>27,806,709</u>	<u>14,947,807</u>	<u>22,219,545</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(325,477)	(7,044,325)	(6,687,294)
Unrealized Loss	(2,581,853)	(26,068,152)	(28,919,373)
Interest Due and Accrued on Fixed Income Securities - Prior Year	0	0	0
Sub Total	<u>(2,907,330)</u>	<u>(33,112,477)</u>	<u>(35,606,667)</u>
NET INVESTMENT INCOME	<u>28,882,389</u>	<u>(14,275,873)</u>	<u>(8,932,538)</u>
Income Required:			
Annuity Savings Fund	337,237	439,898	572,327
Annuity Reserve Fund	392,728	395,660	376,472
Military Service Fund	22	17	51
Expense Fund	719,300	671,896	662,345
TOTAL INCOME REQUIRED	<u>1,449,287</u>	<u>1,507,471</u>	<u>1,611,196</u>
Net Investment Income	<u>28,882,389</u>	<u>(14,275,873)</u>	<u>(8,932,538)</u>
Less: Total Income Required	<u>1,449,287</u>	<u>1,507,471</u>	<u>1,611,196</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$27,433,102</u>	<u>(\$15,783,344)</u>	<u>(\$10,543,734)</u>

Framingham Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$764,124	0.55%	100
Short Term		0	0.00%	100
Fixed Income		0	0.00%	40 - 80
Equities		0	0.00%	40
Pooled Short Term Funds		0	0.00%	
Pooled Domestic Equity Funds		0	0.00%	
Pooled International Equity Funds		0	0.00%	
Pooled Global Equity Funds		0	0.00%	
Pooled Domestic Fixed Income Funds		0	0.00%	
Pooled International Fixed Income Funds		0	0.00%	
Pooled Global Fixed Income Funds		0	0.00%	
Pooled Alternative Investment Funds		0	0.00%	
Pooled Real Estate Funds		0	0.00%	
Pooled Domestic Balanced Funds		0	0.00%	
Pooled International Balanced Funds		0	0.00%	
PRIT Cash Fund		250,887	0.18%	
PRIT Core Fund		<u>137,320,973</u>	<u>99.27%</u>	100
GRAND TOTALS	\$0	<u>\$138,335,983</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2003**, the rate of return for the investments of the **Framingham** Retirement System was 26.30%. For the five-year period ending December 31, **2003**, the rate of return for the investments of the **Framingham** Retirement System averaged 3.74%. For the 19-year period ending December 31, **2003**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Framingham** Retirement System was 11.17%.

Framingham Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

The **Framingham** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on :

October 9, 1991

20.04(6) Obligations of non-U.S. based corporations and foreign governments.

October 17, 1990

22.05(2) Gains and losses that may occur because of the transition from anagement of the assets of the Framingham Retirement System pursuant to G.L. c. 32, s. 23(2)(b)(ivii), inclusive to management of the assets of the Framingham Retirement System by State Street Research & Management Company pursuant to the terms of regulations 840 CMR 20.00 and 21.00 shall be amortized over five years. These gains and losses shall be limited to gains and losses incurred on or before December 31, 1990 that are a result of this transition.

September 5, 1996

840 CMR 21.00: Prohibited Investments

(3) Futures Contracts other than as follows:

(a) Forward Currency Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERA for international investments.

(b) Forward Currency Contracts may be written against securities in the international portfolio to a maximum of twenty-five percent (25%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

September 3, 2003

An eligible member under Chapter 71 of the Acts of 1996 and Chapter 468 of the Acts of 2002 has the option to make payment to purchase military service credit in a lump sum or through payroll deductions for a period of up to five (5) years.

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Framingham** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Framingham** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 12, 1984

1. Each September and January, verification is required from the educational institution that a dependent over the age of eighteen is currently enrolled as a full time student, verification must be furnished on the last date he/she attended classes.
2. Effective April 1, 1981, all new employees who are employed a minimum of twenty (20) hours per week, must become members of the Framingham Retirement System.

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

3. Creditable Service for part-time employees shall be prorated as it bears against full-time service.
4. To maintain ten-thousand dollars (\$10,000) in a specified bank and to issue a check each week for any available excess funds to be forwarded to the Massachusetts Municipal Depository Trust Company until such funds are required to meet expenses.
5. To transfer any funds necessary to meet expenses as such funds are required, from the Massachusetts Municipal Depository Trust Company to a specified bank.
6. That the rules and regulations to implement the provisions of Section 99 of Chapter 32 of the Massachusetts General Laws, shall be as follows:
 - § The implementation of Section 99 shall be handled by the Framingham Retirement Board.
 - § That the advance payments shall be at the option of the retiree on an estimated basis.
 - § That the advance payments shall not exceed 80% of the amount due.
 - § That the advance payments shall be paid by the Framingham Retirement System.
 - § That the advance payments shall be for superannuation retirements only.

February 28, 1986

“Merit payments are not considered regular compensation for retirement purposes but considered a bonus as this payment is not continuing in nature but a single payment over and above the normal salary due for the position.”

October 24, 1987

Those employed in a non-teaching position for a minimum of twenty hours per week under Chapter 188 shall become members of the Framingham Retirement System and that an amount equal to the future pension costs incurred because of the federal grant shall be forwarded to the Framingham Retirement System in accordance with the provisions of Chapter 661 of the Acts of 1983.

November 23, 1987

Educational Increments paid to certain library employees shall not be considered regular compensation for retirement purposes due to the fact that it is a bonus which is not paid to everyone within the department, but only to those who obtain the credits while in the employ of the Town and who are not required to have these credits for their position.

January 7, 1988

A minimum weekly payroll deduction of \$15.00 on a payroll handled through the Town Accountant's office for those individuals who wish to pay a make-up payment in excess of \$300 will be permitted. Such individuals shall have the option of making substantial partial payments. No payroll deductions will be permitted on a make-up payment under \$300.

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

November 2, 1988

That the amounts received in addition to working supervisor's regular compensation be considered regular compensation for retirement purposes as it is a regular payment and paid to everyone in this type of position covered by the contract.

November 27, 1989

To permit a minimum weekly payroll deduction of \$15.00 for those individuals who wish to pay a make up payment in excess of \$300 on service on or after January 12, 1988. No payroll deductions will be permitted on a make up payment under \$300 nor will payroll deductions be permitted on service prior to January 12, 1988.

March 19, 1991

"That uniform allowance being paid to various departments not be considered regular compensation for retirement purposes as the board is of the opinion that these are reimbursements for expenses or necessary costs of employment."

May 16, 1991

"That temporary full-time employees join the retirement system as of the date of their employment."

August 12, 1991

"To rescind the May 8, 1991 vote that temporary full-time employees join the retirement system on the date of employment."

"That seasonal employees will not be eligible for membership in the retirement system."

September 23, 1991

"That training pay which is a percentage of base pay and paid as part of a weekly salary be considered regular compensation for retirement purposes."

September 9, 1993

That employees of the HUD grant "Secretaries Special Project-School Drop Out Prevention Activity Grant" be eligible for membership in the Framingham Retirement System if employed twenty (20) hours per week and current employees shall continue their membership under this grant.

September 29, 1993

The Hazardous Material Training Stipend, which is 2% of the base salary and is paid once a year in December, shall be considered regular compensation for retirement purposes effective July 1, 1992.

The EMT Pay and Training effective July 1, 1993, which was increased \$250 for an EMT FF in the top step and a payment of \$750 for all other EMT's be considered regular compensation for retirement purposes.

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

The Defibrillator Training pay of \$100, which is paid annually, be considered regular compensation for retirement purposes.

May 26, 1994

That the \$50 safe driver award for bus drivers who have been accident free for four years not be included as regular compensation for retirement purposes as it is a bonus. That the \$150 stipend awarded to assistant teachers and secretaries not be included as regular compensation for retirement purposes as it is a one time bonus payment and not of recurring nature.

July 25, 1994

That certified birth certificates, marriage certificates, and death certificates be filed with the Framingham Retirement System in lieu of photostatic copies. If any employee has a copy in their file, the certified record must be filed prior to the receipt of any payments from the Framingham Retirement Board.

May 3, 1995

The stipends being paid on a monthly basis to the Parking Commissioner and the Hearing Officer shall be considered regular compensation for retirement purposes.

August 16, 1995

That the annual stipend for the superintendents shall be considered a payment in lieu of overtime compensation and therefore, not considered regular compensation for retirement purposes.

January 16, 1996

That the stipend paid to members of the hazardous materials response team be considered regular compensation for retirement purposes.

September 4, 1997

All veterans, eligible under chapter 71 of the acts of 1996, shall have the following options on the purchase of their military time. Payment may be made in a lump sum or through payroll deductions for a period of up to three (3) years. Payment must be received in a lump sum prior to retirement or resignation. Veterans with a legitimate hardship in purchasing their military time through the above methods can request a hearing before the Retirement Board.

December 29, 1997

The Board repealed the following rules, which had previously been approved:

Creditable service of part-time employees shall be prorated as it bears against full time service.

That certified birth certificates, marriage certificates and death certificates be filed with the Framingham Retirement System in lieu of photo static copies. If any employee has a copy in their file, the certified record must be filed prior to the receipt of any payments from the Framingham Retirement Board.

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

To permit a minimum weekly payroll deduction of \$15.00 for those individuals who wish to pay a make-up payment in excess of \$300.00 on service on or after January 12, 1988. No payroll deduction will be permitted on a make-up payment under \$300.00 nor will payroll deductions be permitted on service prior to January 12, 1988.

The following rules were hereby approved:

Full time service shall be based on the individual department's hourly requirement for full time service. Part-time service shall be based on actual hours worked that are less than the department's required full time hours, to be prorated only on the conditions listed below.

A Part-time employee shall be granted one year of creditable service for each calendar or school year worked and upon retirement the allowance shall be based on their average highest consecutive three-year salary.

A full time employee who takes a part-time position in the last years, prior to retirement, shall have the part-time service prorated.

A part-time employee who takes a full time position prior to retirement shall have the part-time service prorated and the retirement allowance based on their highest consecutive 36- month salary.

A part-time employee who takes a full time position in the last three years prior to retirement shall have the part-time service prorated and the retirement allowance based on the average of their highest consecutive three-year salary.

Part-time employees who were never employed on a full time basis shall have a retirement allowance calculated on the basis of one year of credit for each year worked and the retirement allowance based on the average of their highest consecutive three year salary.

Part-time employees who transfer their service to another municipality shall be given creditable service, prorated, based on actual service rendered.

Part-time employees who take a refund and then take a position in another municipality, upon their request to repay the funds, shall be given creditable service, prorated, based on actual service rendered.

Certified birth certificates, marriage certificates and death certificates shall be presented for verification returned to the member/survivor, and a photo static copy included in their file.

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Richard G. Howarth, Jr.

Appointed Member: George P. King, Jr. Term Expires: 06/30/05

Elected Member: Paul F. Barbieri Term Expires: 12/18/05

Elected Member: Peter J. Rovinelli Term Expires: 06/30/07

Appointed Member: Sidney W. Lebewohl Term Expires: 01/15/06

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$30,000,000\$1,000,000
Elected Member:)	MACRS Policy
Appointed Member:)	
Staff Employee:)	

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **PERAC** as of **January 1, 2002**.

The actuarial liability for active members was	\$95,945,545
The actuarial liability for retired and inactive members was	<u>110,864,144</u>
The total actuarial liability was	206,809,689
System assets as of that date were (actuarial value)	<u>142,892,743</u>
The unfunded actuarial liability was	<u>\$63,916,946</u>
The ratio of system's assets to total actuarial liability was	69.1%
As of that date the total covered employee payroll was	\$42,131,869

The normal cost for employees on that date was 7.90% of payroll

The normal cost for the employer was 6.80% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
Rate of Salary Increase: Varies by service and group

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2002	\$142,892,743	\$206,809,689	\$63,916,946	69.1%	\$42,131,869	151.71%
1/1/2000	147,572,000	181,148,900	33,576,900	81.5%	37,697,500	89.07%
1/1/1998	105,941,100	156,982,800	51,041,700	67.5%	33,120,400	154.11%

Framingham Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Superannuation	8	19	33	19	28	22	29	32	23	20
Ordinary Disability	0	1	0	1	0	1	1	2	0	0
Accidental Disability	3	3	2	3	1	1	2	3	3	3
Total Retirements	11	23	35	23	29	24	32	37	26	23
Total Retirees, Beneficiaries and Survivors	747	779	77	776	781	790	800	810	810	810
Total Active Members	965	928	994	1,038	1,093	1,121	1,160	1,165	1,166	1,109
Pension Payments										
Superannuation	\$5,423,670	\$5,538,247	\$5,858,956	\$6,181,683	\$6,546,585	\$6,857,833	\$7,229,425	\$7,567,731	\$7,911,444	\$8,370,799
Survivor/Beneficiary Payments	283,772	289,463	281,308	291,429	290,020	301,442	376,629	476,470	509,148	521,416
Ordinary Disability	190,397	185,842	193,444	210,741	208,086	241,441	266,223	234,641	258,465	250,456
Accidental Disability	990,712	1,109,967	1,185,221	1,191,706	1,237,389	1,243,315	1,271,767	1,299,331	1,487,551	1,681,749
Other	584,444	590,584	610,750	712,919	658,823	804,869	933,003	866,729	975,060.76	972,612
Total Payments for Year	\$7,472,995	\$7,714,103	\$8,129,679	\$8,588,478	\$8,940,903	\$9,448,900	\$10,077,047	\$10,444,903	\$11,141,670	\$11,797,033

PERAC

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